

**ALASKA STATE LEGISLATURE  
JOINT MEETING  
HOUSE SPECIAL COMMITTEE ON ENERGY  
SENATE SPECIAL COMMITTEE ON RAILBELT ELECTRIC SYSTEM**

January 27, 2020  
3:30 p.m.

**MEMBERS PRESENT**

Senator John Coghill, Chair  
Senator Elvi Gray-Jackson  
Senator Mike Shower  
Senator Cathy Giessel  
Senator Peter Micciche

Representative Grier Hopkins  
Representative John Lincoln  
Representative Ivy Spohnholz  
Representative Zack Fields  
Representative Tiffany Zulkosky  
Representative Lance Pruitt

**MEMBERS ABSENT**

Representative George Rauscher

**COMMITTEE CALENDAR**

PRESENTATION: RAILBELT UTILITY

- HEARD

HOUSE BILL NO. 151

"An Act relating to the regulation of electric utilities and electric reliability organizations; and providing for an effective date."

- NO BILL ACTION AVAILABLE AT THIS TIME

SENATE BILL NO. 123

"An Act relating to the regulation of electric utilities and electric reliability organizations; and providing for an effective date."

- NO BILL ACTION AVAILABLE AT THIS TIME

**PREVIOUS COMMITTEE ACTION**

BILL: HB 151

SHORT TITLE: ELECTRIC RELIABILITY ORGANIZATIONS

SPONSOR(s): ENERGY

05/03/19	(H)	READ THE FIRST TIME - REFERRALS
05/03/19	(H)	ENE, RES
05/09/19	(H)	ENE AT 8:30 AM CAPITOL 17
05/09/19	(H)	Heard & Held
05/09/19	(H)	MINUTE(ENE)
01/23/20	(H)	ENE AT 10:15 AM CAPITOL 17
01/23/20	(H)	Heard & Held
01/23/20	(H)	MINUTE(ENE)
01/27/20	(H)	ENE AT 3:30 PM SENATE FINANCE 532

BILL: SB 123

SHORT TITLE: ELECTRIC RELIABILITY ORGANIZATIONS

SPONSOR(s): RAILBELT ELECTRIC SYSTEM

05/14/19	(S)	READ THE FIRST TIME - REFERRALS
05/14/19	(S)	RBE, FIN
01/24/20	(S)	RBE AT 3:30 PM BUTROVICH 205
01/24/20	(S)	Heard & Held
01/24/20	(S)	MINUTE(RBE)
01/27/20	(S)	RBE AT 3:30 PM SENATE FINANCE 532

**WITNESS REGISTER**

JULIE ESTEY, Director External Affairs  
Matanuska Electric Association (MEA)  
Palmer, Alaska

**POSITION STATEMENT:** Testified and co-offered a PowerPoint presentation by the Railbelt Utilities during the hearing on SB 123 and HB 151.

BRIAN HICKEY, Chief Operating Officer  
Chugach Electric Association  
Anchorage, Alaska

**POSITION STATEMENT:** Testified and co-offered a PowerPoint presentation by the Railbelt Utilities during the hearing on SB 123 and HB 151.

JOHN BURNS, Vice President  
Golden Valley Electric Association (GVEA)  
Fairbanks, Alaska

**POSITION STATEMENT:** Testified and co-offered a PowerPoint presentation by the Railbelt Utilities during the hearing on SB 123 and HB 151.

TONY IZZO, CEO  
Matanuska Electric Association  
Palmer, Alaska

**POSITION STATEMENT:** Testified during the hearing on SB 123 and HB 151.

ANNA HENDERSON, General Manager  
Municipal Light & Power  
Anchorage, Alaska

**POSITION STATEMENT:** Testified during the hearing on SB 123 and HB 151.

BRAD JANORSCHKE, General Manager  
Homer Electric Association, Inc.  
Homer, Alaska

**POSITION STATEMENT:** Testified during the hearing on SB 123 and HB 151.

JOHN FOUTZ, Electric Utility Manager  
City of Seward  
Seward, Alaska

**POSITION STATEMENT:** Testified during the hearing on SB 123 and HB 151.

#### **ACTION NARRATIVE**

[3:30:47 PM](#)

**CHAIR JOHN COGHILL** called the joint meeting of the Senate Special Committee on Railbelt Electric System and the House Special Committee on Energy to order at [3:30] p.m. Senators Coghill, Gray-Jackson, Micciche, and Giessel, and Representatives Hopkins, Lincoln, Zulkosky, and Pruitt were present at the call to order. Senator Shower and Representatives Fields and Spohnholz arrived as the meeting was in progress.

**HB 151-ELECTRIC RELIABILITY ORGANIZATIONS**  
**SB 123-ELECTRIC RELIABILITY ORGANIZATIONS**

[3:31:54 PM](#)

CHAIR COGHILL announced that the only order of business would be SENATE BILL NO. 123, "An Act relating to the regulation of electric utilities and electric reliability organizations; and providing for an effective date." and HOUSE BILL NO. 151, "An Act relating to the regulation of electric utilities and electric reliability organizations; and providing for an effective date." [Before the committees was the original version of SB 123 and a proposed committee substitute (CS) for HB 151, Version 31-LS0870\U, Klein/Fisher, 12/20/19 ("Version U"), adopted by the House Special Committee on Energy as a working document during its meeting on 1/23/20.]

CHAIR COGHILL explained that, prior to this meeting, the House Special Committee on Energy and the Senate Special Committee on Railbelt Electric System had been working to coordinate the two proposed bills, HB 151 and SB 123. He acknowledged that the hard work by both the utilities and other interest groups had "found its place in these particular pieces of the legislation." He declared that this hard work by everyone was "how to make Alaska work better."

CHAIR COGHILL outlined that the committees would hear comments from the utilities on the structure of the proposed bills, processes aimed at improvement, and recommendations.

[3:35:22 PM](#)

JULIE ESTEY, Director External Affairs, Matanuska Electric Association (MEA), acknowledged that, although there had been work put into this for decades, this had to be a different approach. She shared that they were all present to have discussions between the utilities, the policy makers, and the other stakeholders. She reported that, once the concerns had been shared, solutions were made available and substantial progress had been made "pretty quickly over the last few months." She directed attention to the comments which had been forwarded for consideration, noting that a response indicated there had been "some overreach in our comments. We went really down into the details." She asked that the provided comments be taken as they were intended, and she offered her belief that the proposed legislation was "very solid as presented. We think that there are a few adjustments that we would put on the table for your consideration to improve it and help with the implementation." She offered a PowerPoint presentation and brought attention to slide 2, "Presentation Outline," which read:

- Progress to date
- The Railbelt Reliability Council (RRC)
- Next steps for the RRC
- How the legislature can help
- Thoughts on SB123 and HB151

[3:39:02 PM](#)

BRIAN HICKEY, Chief Operating Officer, Chugach Electric Association, declared that the issue was important to the Railbelt, and shared that he had "seen a lot of things over this last 35 or 40 years and I do think that we are closer to doing the things in a better way than we've ever been in my career." He emphasized that it was important to understand that a grid was a single machine operating in perfect synchronism; if not, it would collapse and black out. He offered his belief that the utilities had done a great job of keeping reliability high and costs low, adding that the electric industry was now changing. He opined that the current organizational structure would be a vehicle to move the grid into the future in a better way for all the ratepayers.

CHAIR COGHILL interjected that all the members of the committee had benefited from the hard work of the utilities. He pointed out that all manners of getting power into the grid, including wind and solar, were of interest to the committee. He expressed appreciation for "the struggle of growing pains." He stated that he would respect, as much as possible, the results of prior meetings among the utilities while still asking what could be done to move forward and allowing the latitude to make it work.

MR. HICKEY paraphrased slide 3 of the PowerPoint presentation, "Progress - Consistent Railbelt Reliability Standards," which read:

In 2014 the Intertie Management Committee (IMC) adopted open access rules for the Alaska Intertie

In April 2018 the Railbelt electric utilities and Alaska Energy Authority (AEA) filed consensus Railbelt Reliability Standards with the Regulatory Commission of Alaska (RCA)

Compliance with reliability standards is mandated no later than one year after the Electric Reliability Organization (ERO) is established, until then compliance is voluntary

MR. HICKEY moved on to slide 4, "Progress - Coordinated Cyber Security Rules," which read [original punctuation provided]:

All utilities engaged a nationally recognized cybersecurity consultant and developed cyber security standards that went into effect January 1, 2020, starting a 3-year compliance clock.

Utilities are currently conducting internal cyber security audits to identify gaps between the current practices and the new standards.

The Railbelt Cyber Security Working Group (RCWG), comprising IT subject matter experts from the six Railbelt utilities and Doyon Utilities, meets monthly to execute standards implementation.

MR. HICKEY, in response to Chair Coghill, expressed agreement that there were national standards for reliability, although it was necessary to consider the unique nature of the Railbelt as it was a smaller scale, isolated grid not connected to any other sources. It was this lack for economy of scale which brought a focus on cost competitiveness. He explained that the utilities would take the very best parts of these standards for adoption.

MR. HICKEY paraphrased from slide 5, "Progress - Power Pool Development," which read [original punctuation provided]:

A tight power pool is a contractual structure that pools generation resources and loads to facilitate economic dispatch for efficiency and cost savings.

Chugach, ML&P and MEA drafted preliminary dispatch protocols, financial settlement procedures, and other processes. GVEA and HEA have been engaged in this development.

Power pool development process was put on hold due to the Chugach/ML&P acquisition, expected to achieve approximately 75% of anticipated pool savings.

Utilities will return to power pool discussions after the Chugach/ML&P acquisition docket has been adjudicated.

[3:49:02 PM](#)

SENATOR GRAY-JACKSON asked how much longer until the sale between Chugach Electric Association and Municipal Light & Power was finalized.

MR. HICKEY offered his belief that, should the RCA issue an order of approval for the acquisition on the intended date, February 28, then Day One would be May 29. He reported that there were 14 functional teams from both utilities meeting weekly, and more often, to lay out all the necessary items to bring the two companies together on Day One.

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JOHN BURNS, Vice President, Golden Valley Electric Association (GVEA), reported that, even as the Railbelt utilities had worked collaboratively on many issues over the years, this was now a movement toward "an incredibly bright future." He pointed out that, in December 2019, all six utilities had joined to sign the Railbelt Reliability Council (RRC) memorandum of agreement. He declared that the board would be balanced with utility and non-utility members and focused on four tasks. He introduced slide 6 of the PowerPoint presentation, "Railbelt Reliability Council - Signed MOU" and paraphrased the four tasks, which read:

The RRC will be an applicant for the role of ERO with a balanced utility/non-utility board focused on accomplishing the following tasks:

1. Establish, administer and enforce reliability standards
2. Develop, adopt and administer open access rules, system cost allocation procedures, and interconnection protocols
3. Develop and adopt an Integrated Resource Plan (IRP) for the entire Railbelt electric system
4. Perform a definitive cost-benefit analysis of Railbelt-wide or regional security constrained economic dispatch.

CHAIR COGHILL clarified that the RRC was envisioned in the proposed bill as an Electric Reliability Organization (ERO).

MR. BURNS said that the RRC, once formed, would be the entity to submit the application with the RCA to become the ERO. He declared that the organization development team (ODT) recognized that the possibilities for achievement by the RRC were endless. He stated that the envisioned collaborative process would facilitate conversations, shape relationships, and build trust.

CHAIR COGHILL asked that Mr. Burns remember to define the acronyms.

MR. BURNS declared that many people played a significant role in the development of the MOU. He stated that the legislature and the RCA recognized the need for reform, adding that the independent power producers, rate payers, and other non-utility entities were demanding a voice in the decisions affecting the Railbelt. He moved on to slide 7, "Railbelt Reliability Council - ODT Process," which read:

An Organizational Development Team (ODT), comprised of representatives from the six Railbelt utilities, was established to begin building the RRC.

The ODT's focus was to develop consensus among utilities and other stakeholders in forming an Implementation Committee that would develop foundational documents and stand up the RRC.

The ODT representatives met with utility and non-utility stakeholders, including the RCA, AEA, REAP, AkPIRG, IPPs, and others.

On December 18, 2019, six Railbelt utilities signed the MOU for the creation of the RRC.

The signed MOU was filed with the RCA on December 20, 2019.

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MR. HICKEY, in response to Representative Spohnholz regarding slide 6, said that economic dispatch was a term used for dispatching the next, most efficient mega-watt to meet the load. However, given the lengthy nature of the Railbelt with single transmission lines, there were points of congestion, and enough power could not be moved from one region to another. In a security constrained economic dispatch, it was sometimes necessary to start an uneconomic unit.

[3:57:11 PM](#)

MR. BURNS returned attention to slide 7, noting that the MOU had been finalized on December 18, 2019 and filed with the RCA on December 20, 2019. He declared that this was a significant moment for the Railbelt utilities.

MR. BURNS, in response to Chair Coghill, explained that it had been important for the Railbelt utilities to come together and grapple with several difficult issues to reach consensus with the MOU. Once there was consensus, the utilities had reached out to other stakeholders for their insights and concerns, and ultimately modified the MOU.

MR. BURNS directed attention to slide 8, "Railbelt Reliability Council - Governance," which read:

Initially, the RRC will be governed by a twelve-member Board with the CEO providing a tie-breaking vote.

- 6 Railbelt utilities
- Alaska Energy Authority
- 2 Independent Power Producers
- 1 organization advocating for consumer interests
- 2 independent, non-affiliated members
- RCA and RAPA will hold non-voting, ex-officio seats on the Board
- The RRC will hire a CEO and staff

MR. BURNS, in response to Chair Coghill, explained that RAPA stood for Regulatory Affairs for Public Advocacy, which represented public advocacy through the Office of the Attorney General.

MR. BURNS returned to slide 8, adding:

the board composition may seem expansive and there has been some criticism about the numbers on it, but the reality is, it reflects the broad spectrum of

different interests that either impact or are impacted by having a reliable, robust electric grid. So, it was important to have an expansive and balanced board.

[4:01:46 PM](#)

REPRESENTATIVE SPOHNHOLZ asked about the two, independent, non-affiliated members.

MR. BURNS reported that these members could be any entity or individual, including engineers, with knowledge relative to electric issues.

MR. HICKEY added that these members could also include "finance folks, people with cyber security experience, it would depend on what the board felt was required or necessary at that point in time." He pointed to the list of requirements in the MOU, which included preference for Alaska residents, as well as knowledge of the Railbelt and the process that formed the RRC. He declared that these members could not be working for, or part of, any organization that was exchanging or delivering power in the Railbelt, or one of the stakeholder groups. The idea was to have two, independent, non-affiliated professionals on the board.

MS. ESTEY added that those members would be initially chosen for the implementation committee. She explained the process, as written in the MOU, to include: receipt of applications by February 17, with the decision made by a sub committee consisting of one of the IPP representatives, the consumer advocate position, and the Alaska Energy Authority (AEA).

[4:03:18 PM](#)

REPRESENTATIVE HOPKINS, referencing slide 7, asked what was to be gained having the MOU filed with the RCA, as the RCA had no statutory authority to regulate an ERO.

MR. BURNS explained that this provided notice to the RCA that there had been success with the MOU.

MS. ESTEY added that this was an informational filing, noting that the RCA had been engaged in the process since 2015, although there was no adjudicatory request.

[4:04:23 PM](#)

CHAIR COGHILL clarified that the RRC had "put the meat and bones onto a question that we put into statute," although it had not been designated exactly in this manner. He added that this action complimented the statute.

MS. ESTEY shared that the goal had been for a parallel path to a cohesive solution with the legislation, while including the desires from stakeholders and the RCA. She noted that the utilities had been "trying to keep the lines of communication open as we move forward so that the goals and the components were aligned." She acknowledged that it was recognized that per current legislation, all they could do was apply. She expressed hope that once this was passed into law, the RCA would have the authority to accept applications and choose them from the field of applicants.

[4:05:54 PM](#)

MR. BURNS addressed slide 9, "Why is the Railbelt Reliability Council Important?" and emphasized that the RRC was "not an artifice, intended to deflect the legislature or the RCA's attention away from necessary Railbelt reform." He added that the RRC reflected a series of commitments being made by the Railbelt utilities to propose and embrace meaningful, deliberative changes on the Railbelt electric grid. He stated that the RRC represented a regulatory compact, a contractual commitment, with the State of Alaska and a commitment that the utilities would be bound by the decisions of the RRC. He declared that this represented a commitment to support statutory language to provide the RCA authority to regulate the RRC as described in the MOU. He pointed out that this was a commitment of the utilities to be inclusive of a variety of perspectives in decisions related to a Railbelt bulk electric system, with a commitment by the utilities to participate with one another and with non-utility stakeholders to achieve benefits for rate payers throughout the state.

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MS. ESTEY shared that the utilities had evolved through this process to readiness to work together, a big change from the current control by each utility of its specific service territory. She pointed out that the utilities were now being inclusive in the decision making, as well as the operational aspect. She moved on to slide 10, "Next Steps for the RRC - Timeline," which read:

| January 2-Feb 1 - Thirty-day public notice for applications to fill the non-utility seats

| January 17 - Utility, AEA, RCA and RAPA delegates named • February 17 - All other non-utility applications due

- March 20 - IPP seats selected by Alaska Independent Power Producer Association
- March 25 (est.) - Firm retained to conduct review of applications
- May 11 - Consumer advocacy seat selected
- May 15 - Independent, unaffiliated seats selected
- May 30 - Implementation Committee Kick off
- December 2020 - Complete foundational documents and stand up the organization

[4:10:00 PM](#)

REPRESENTATIVE LINCOLN referenced the composition of the twelve-member board, as listed on slide 8, and asked whether a change would be in response to a definition from the legislation or the RCA. He asked if there was anticipation for a change and under what circumstances.

MS. ESTEY replied that through the definition in the MOU, there was now establishment of the implementation committee. She shared that it was imagined that the implementation committee would become the first board as the organization was created. She added that the implementation committee, both utility and non-utility stakeholders, would define the by-laws and the articles of incorporation within the context of the MOU. She allowed that there was latitude for adjustment as new information was presented. She pointed out that the balanced board required negotiation from both sides.

MR. HICKEY shared that, with similar entities in the Lower 48, as market segments coalesced and formed associations with a function in the market, seats were applied for and the boards were expanded. He stated that there was language in the MOU that required a balancing of interests on the board but allowed flexibility of the management for its composition.

CHAIR COGHILL explained that the proposed legislation requested a balanced board whereas this discussion was for how the balancing act would take shape. He allowed that Mr. Hickey was proposing to organize an answer for the requirements in the proposed statute.

[4:13:45 PM](#)

SENATOR GRAY-JACKSON asked how many IPPs (Independent Power Producer) existed.

MR. HICKEY replied, "there are a handful that we know of, there are some small ones, some are larger." He offered examples of the wind farms on Fire Island and in Fairbanks, as well as the solar project in Willow.

MS. ESTEY added that there were four IPPs currently operating on the Matanuska Electric Association (MEA) system, with many more applications. She referenced the consistent interconnection standards, noting that more certainty would help new projects and increase the number of requests.

[4:15:10 PM](#)

SENATOR MICCICHE pointed out that, although the proposed legislation remained very general about the board, board make up was often a key to success. He asked if the proposed legislation should include board make up, noting that a CEO would be a tie breaking vote.

MR. BURNS replied that there were certain decisions that may likely require a super majority vote and as the process evolved there would be these dialogues. He offered his belief that it was important to achieve a balanced board, but that it was important to move forward, and a tie breaking vote could be necessary. He reminded that the CEO was chosen by consensus of the entire board. He opined that it was often important to give broad policy directives, and not minutiae, to the proposed RRC.

MS. ESTEY pointed out that during the implementation committee phase there would not be a CEO, hence it would be more of a balance. She added that there were provisions to ensure the minority opinions in any decision had a voice in the process.

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MR. HICKEY added that the organization would be developing the operating guidelines used to operate the system, and those types of decisions had to be made with consensus. He noted that it was important to express both minority and majority opinions.

CHAIR COGHILL pointed out that there were two new authorities for both the planning and organizational structure through the RCA and he emphasized that this would not be done in a vacuum.

[4:21:20 PM](#)

SENATOR MICCICHE stated: "nothing creates trust more than a well-constructed contract." He expressed his desire to ensure that everyone had an equal voice.

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MS. ESTEY returned to the timeline on slide 10, noting that the goal was to have all the foundational documents completed by December 2020. She declared support for SB 123 and HB 151 as the "correct vehicles to move this forward. She moved on to slide 11, "How the legislature can help," which read:

Establish a statutory framework for the RRC to operate under the RCA's regulatory authority.

Provide a mechanism to enforce consistent reliability, facility and cyber security standards developed by the RRC.

Authorize the RRC to execute a robust, transparent Integrated Resource Planning process and support resulting outcomes.

Provide for RCA pre-approval of projects that are consistent with the Integrated Resource Plan and/or reliability standards.

Allow the RRC time to accomplish its goals but provide discrete timelines.

MS. ESTEY relayed that the utilities worked well with deadlines, as they were "rule followers by nature." She acknowledged that the timelines ahead of the utilities was a very appropriate role for the State of Alaska.

[4:26:35 PM](#)

MR. HICKEY offered an apology for any inappropriate presentation of adjustments to SB 123, as that was not intended. He spoke about the process for negotiating the RRC MOU, which involved consensus drafting of the document, circulation among the utilities, distribution to the stakeholders and then the RCA, and finally back to the utilities. He explained that SB 123 had gone through the same process. He emphasized that both the RRC MOU and SB 123 had been presented to the stakeholders, with some of the resulting comments being incorporated into those documents. He acknowledged that, however, those documents had not been endorsed by the stakeholders as their documents and there could be some disagreements. He reported that there had been a line by line review with the stakeholders and that the utilities had adopted those suggestions which the utilities had unanimously agreed to in a consensus fashion.

REPRESENTATIVE ZULKOSKY asked if all the suggested amendments had been developed in consensus among all the utilities that were part of the signed MOU.

MR. HICKEY explained that these were changes that the six utilities agreed on, which were then distributed to the stakeholders for input. The utilities then revised any changes to the degree to which all the utilities could agree. These changes were then presented to the RCA, and reviewed line by line with each of the commissioners. These comments were returned to the utilities and stakeholders for review, and the comments that all could agree on were incorporated. He stated that this was the best that the unanimous utilities could do in order to come to agreement with the other stakeholders.

MR. BURNS shared that the red-line version had represented the organizational development team's (the six utilities) consensus document, which included many of the comments from other stakeholders through the collaborative dialogue. He pointed out that this was not a document that had been agreed to by all stakeholders.

CHAIR COGHILL acknowledged that a great deal of time had gone into the suggested adjustments to SB 123, and asked, as the time remaining for this meeting was short, whether these could be presented at another time.

[4:31:07 PM](#)

MR. HICKEY explained the pillars of the process to draft the suggested adjustments to SB 123. He said that, first, they reviewed SB 123 to conform with the MOU, which was quite detailed, and looked for places where there was disagreement in order to make changes to resolve these differences. He stated that the committee had four pillars: (1) the outcome of reliability standards or integrated resource plans should be developed from the bottom up and not from the top down because this was an operating entity that had to work on the ground; (2) to use existing regulatory procedures with a focus on the tariff process. He explained that the utilities would submit a tariff, and the RCA had 45 days to open a docket of investigation or it would become law. If there was a docket of investigation, the tariff would not be modified but would be investigated and then returned to the utilities with comments for necessary work. He pointed out that the modifications were not being made in an adjudicatory proceeding. The committee used this same viewpoint to make modifications to SB 123. He added that (3) the committee used short timelines to allow the organization to "be nimble and can pivot and respond to things in the system that need to be responded to in a very short time." The final pillar (4) was for all the processes to be open, transparent and inclusive. He noted that a definition for "pre-approval" had been added, as there had been some confusion regarding "siting authority" versus "pre-approval." He explained that, in many states, "siting authority" included the ability to route transmission lines through specific neighborhoods, to determine the color of the poles, and to regulate framing construction. He stated that this definition would narrowly define "project pre-approval" as "the RCA providing a finding that the project is necessary and that prudent costs incurred in developing that project can be recovered in rates." He said it specifically excluded the ability for the RCA to route transmission lines through local areas as the committee wanted to preserve the ability for local areas to have local criteria that met local needs. He noted that they had tried to maintain this theme throughout the MOU and with the revisions to SB 123.

CHAIR COGHILL expressed his agreement for this approach. He shared that he recognized there were some process issues for "how its done" whereas his preference was to keep the statute based on "what we want you to do, not necessarily how you do it." He noted that the committee revisions had started with the MOU, whereas the statute started with "how do we direct this to make sure that it happens well." He said he would suggest to the Senate Special Committee on Railbelt Electric Systems (SRBE) and the House Special Committee on Energy (HENE) to view this

"from what do we want you to do and stay out of how you do it." He applauded the work on the MOU but clarified that the SRBE would not start with the MOU. He declared that the SRBE was probably working "off a different set of pillars but we want to end up at the same place."

MR. HICKEY expressed his desire that the provided documents would offer "a window into our thinking more than any prescriptive way that we think you need to do anything."

MR. BURNS declared that all the utilities were "poised and prepared to assist in any way to achieve this legislation and to do it as quickly as possible."

[4:39:07 PM](#)

TONY IZZO, CEO, Matanuska Electric Association, Inc. (MEA), said that MEA was probably the second largest electric utility in the state, serving more than 66,000 meters in an area the size of the State of West Virginia. He reported that his utility was growing, adding between 1,000 and 1,200 services and meters annually. He offered his belief that the proposed bills, HB 151 and SB 123, were the right vehicle to provide the enabling legislation to make this a reality. He shared that he had been in the utility business for 40 years, with 20 years in the Railbelt. He reviewed the history for this legislation, noting that in 2014 the Alaska State Legislature had asked the RCA to do an analysis on the need for institutional reform in the Railbelt electric grid. He acknowledged that there were "less than good relationships leading to questionable decisions at times" and offered his belief that the industry had earned that reputation. However, he opined that the industry had moved beyond that many years earlier. He shared that, after moving to Alaska 20 years ago, Alaska had been about 20 to 30 years behind the Lower 48. He opined that since then many lessons had been learned from the Lower 48 and many pitfalls had been avoided.

MR. IZZO referenced a 2015 letter from the RCA to the leadership of the Alaska State Legislature, which indicated the need for institutional reform and included a lot of detail. He offered his belief that this letter was "at a high level accurate" and that currently this was a critical point for the growth of the utilities. He opined that this was the time to codify the good behavior recently exhibited by the utilities in order to build a good foundation going forward. He added that, although there was a great deal of trading among the utilities, it could better include the other stakeholders. He reported that, as 40 percent

of the cost of a kilowatt hour in the Railbelt was for fuel, any means to reduce that fuel was necessary.

[4:44:57 PM](#)

ANNA HENDERSON, General Manager, Municipal Light & Power, shared her support for the positions advanced by the presenters, noting that a lot of work had been put into this process. She expressed her agreement with the comments from Mr. Izzo, adding that institutional regulatory reform in the Railbelt was necessary to address a lack of regulation, specifically for reliability, interconnection, regional planning, and cyber security. She stated her support for the committees telling "us what to do versus telling us how to do it." She shared her vision that this enabling legislation would lead to a "robust regulatory process with the Regulatory Commission of Alaska that will add further process and clarification to the regulations," and acknowledged it would be a multi-year process.

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MR. IZZO, in response to Representative Fields, offered his belief that the construct of the proposed legislation would create a "one stop shop across the grid through the planning process with stakeholders." He offered an example for the need of more megawatts for generation, noting that the request could now be made to the entire broad stakeholder group. He pointed out that this would provide reliable service at a lowest cost.

CHAIR COGHILL reiterated that both renewables and reliability were high on the list.

[4:50:02 PM](#)

BRAD JANORSCHKE, General Manager, Homer Electric Association, Inc., reported that Homer Electric had about 35,000 meters and was 90 percent reliant on natural gas. He acknowledged that this was the most alignment he had seen among the utilities, and although there were still differences of opinion, these could be worked through. He shared his desire to focus on renewables and reduce dependence on natural gas. He reported that his utility was moving forward with a very large battery energy storage system that could provide benefits for the entire Railbelt. He stated his support for the organizational development team and the RRC MOU, noting that even as recently as five years prior, the utilities would never have gotten together. He expressed his hope that any legislation would align with the MOU and stay

focused on reliability standards. He asked what impact this would have on the Bradley Lake energy program, noting that it supplied almost 50 percent of the power in the western Kenai Peninsula with no jurisdiction by the RCA per an exemption created by the Alaska State Legislature in 1988. He referenced the idea of the CEO position as a tiebreaker and opined that "the last job I would ever want is to be a tie breaker for my bosses." He stated that any changes to proposed SB 123 by the ODT were valid and he asked that the legislature put thought into these. He questioned, however, what could be missing and what was not necessary.

[4:56:14 PM](#)

JOHN FOUTZ, Electric Utility Manager, City of Seward, pointed out that this was a small utility, and the only utility on the Railbelt which purchased power instead of generating. He expressed his appreciation for the format of "what to do, not how to do it." He stated support for a deadline on the utilities to "help get us across the finish line." He declared support for the proposed legislation and asked that the utility perspective also be considered.

CHAIR COGHILL declared that a tremendous effort had been put forward and this was a structure to work from. He stated that it was important to recognize the perspective of other stakeholders. He acknowledged the importance of energy reliability.

REPRESENTATIVE HOPKINS expressed his appreciation for all the work, noting that this impacted the economy of the state.

[HB 151 was held over.]

[SB 123 was held over.]

[5:00:58 PM](#)

#### **ADJOURNMENT**

There being no further business before the committees, the joint meeting of the Senate Special Committee on Railbelt Electric System and the House Special Committee on Energy was adjourned at 5:01 p.m.